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Attorneys for Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT****DISTRICT OF NEVADA**

In re:

**THE RHODES COMPANIES, LLC, aka**  
**“Rhodes Homes,” et al.,<sup>1</sup>**  
**Debtors.**

Case No.: BK-S-09-14814-LBR  
 (Jointly Administered)

Chapter 11

Affects:

**No Hearing Required**

<sup>1</sup> The Debtors in these cases, along with their case numbers are: Heritage Land Company, LLC (Case No. 09-14778); The Rhodes Companies, LLC (Case No. 09-14814); Tribes Holdings, LLC (Case No. 09-14817); Apache Framing, LLC (Case No. 09-14818); Geronimo Plumbing LLC (Case No. 09-14820); Gung-Ho Concrete LLC (Case No. 09-14822); Bravo, Inc. (Case No. 09-14825); Elkhorn Partners, A Nevada Limited Partnership (Case No. 09-14828); Six Feathers Holdings, LLC (Case No. 09-14833); Elkhorn Investments, Inc. (Case No. 09-14837); Jarupa, LLC (Case No. 09-14839); Rhodes Realty, Inc. (Case No. 09-14841); C & J Holdings, Inc. (Case No. 09-14843); Rhodes Ranch General Partnership (Case No. 09-14844); Rhodes Design and Development Corporation (Case No. 09-14846); Parcel 20, LLC (Case No. 09-14848); Tuscany Acquisitions IV, LLC (Case No. 09-14849); Tuscany Acquisitions III, LLC (Case No. 09-14850); Tuscany Acquisitions II, LLC (Case No. 09-14852); Tuscany Acquisitions, LLC (Case No. 09-14853); Rhodes Ranch Golf Country Club, LLC (Case No. 09-14854); Overflow, LP (Case No. 09-14856); Wallboard, LP (Case No. 09-14858); Jackknife, LP (Case No. 09-14860); Batcave, LP (Case No. 09-14861); Chalkline, LP (Case No. 09-14862); Glynda, LP (Case No. 09-14865); Tick, LP (Case No. 09-14866); Rhodes Arizona Properties, LLC (Case No. 09-14868); Rhodes Homes Arizona, L.L.C. (Case No. 09-14882); Tuscany Golf Country Club, LLC (Case No. 09-14884); and Pinnacle Grading, LLC (Case No. 09-14887).

☐ All Debtors  
☒ Affects the following Debtor(s):  
Pinnacle Grading, LLC

**NOTICE PURSUANT TO PARAGRAPH 3(F) OF THE FINAL STIPULATED ORDER  
(I) AUTHORIZING USE OF CASH COLLATERAL, ETC. FOR AUTHORIZATION TO  
PAY PRE-PETITION AMOUNTS RE CITY OF FLAGSTAFF PROJECT**

TO THE AGENT FOR THE FIRST LIEN LENDERS, THE AGENT FOR THE SECOND  
LIEN LENDERS, THE UNITED STATES TRUSTEE, AND THE OFFICIAL COMMITTEE  
OF UNSECURED CREDITORS:

On April 30, 2009, the Bankruptcy Court for the above-captioned Debtors entered that  
*Final Stipulated Order (I) Authorizing Use of Cash Collateral, Etc.* [Docket No. 126] (the “Final  
Cash Collateral Order”). Pursuant to paragraph 3(f) of the Final Cash Collateral Order, the  
Debtors have identified certain pre-petition payments that they require to be made in their  
business judgment pursuant to the Budget, which payment is permissible pursuant to the  
procedure set forth in paragraph 3(f) of the Final Cash Collateral Order. Specifically, the Final  
Cash Collateral Order provides that upon (i) the consent of the First Lien Steering Committee  
(through their financial advisor, Winchester Carlisle Real Estate Partners “WCP”) and (ii) upon  
no objection being received after five business days notice advance of any proposed payments to  
the following parties: (a) Agent for the First Lien Lenders, (b) Agent for the Second Lien  
Lenders, (c) the U.S. Trustee, and (d) any counsel to any official committee of unsecured  
creditors appointed in these cases (the “Notice Parties”), that the Debtors shall be authorized to  
pay the pre-petition amounts identified in this Notice.

WCP has consented to the payments listed on Exhibit A hereto. By this Notice, the  
Debtor Pinnacle Grading, LLC (the “Debtor”) hereby provides notice to the Notice Parties that if  
any of the Notice Parties objects to such payments, such objection should be made within writing  
to the below counsel for the Debtor within five business days of the date of this Notice.

**Payment Of The Amounts On Exhibit A Are In The Best Interest Of The Estate**

1. The Debtor has provided comprehensive land development services to the City of  
Flagstaff’s Aspen Place project (the “City of Flagstaff Project”). Upon completion of the City of  
Flagstaff Project, the City of Flagstaff is obligated to pay to the Debtor approximately \$2 million

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1 as a retention payment (the "Retention Payment"). The City of Flagstaff is also obligated to  
 2 release the bond issued to support the project in the amount of \$16.7 million (the "Bond").

3 2. The Debtor completed the City of Flagstaff Project. The City of Flagstaff has  
 4 agreed to make the Retention Payment to the Debtor in two payments-- \$1,228,848.68 of which  
 5 was received on October 8, 2009 and the remainder of approximately \$800,000 remains to be  
 6 received. The Retention Payment by the City of Flagstaff to the Debtor is expressly contingent  
 7 upon the Debtor paying the service providers for the City of Flagstaff Project, some of which  
 8 may arguably hold pre-petition claims. In addition, the City of Flagstaff requires that the Debtor  
 9 provide executed lien releases to the City of Flagstaff from the vendors that have received  
 10 payments from the Debtor. The Debtor has set forth on Exhibit A those vendors that have been  
 11 paid by the first installment of the Retention Payment with approval from WCP.

12 3. The City of Flagstaff has agreed to release the Bond as a result of the completion  
 13 of the City of Flagstaff Project.

14 4. The City of Flagstaff requires that the Debtor pays off any vendor that has  
 15 performed work on the City of Flagstaff Project in order for the Debtor to receive its Retention  
 16 Payment. Because payment of the amounts on Exhibit A along with future expected payments  
 17 on account of the second installment payment of the Retention Payment will result in a net cash  
 18 positive to the estates in the amount of approximately \$500,000, payment of the claims listed on  
 19 Exhibit A is in the best interest of the estate. Moreover, the City of Flagstaff has agreed to  
 20 release the \$16.7 million Bond resulting in a further net positive to the Debtors' estates.  
 21 For the foregoing reasons, payment of the amounts on Exhibit A is in the best interest of the  
 22 estates and all creditors hereto.

23 **DATED** this 13th day of October, 2009.

**LARSON & STEPHENS**

24  
 25 /s/ Zachariah Larson, Esq.  
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 27 Kyle O. Stephens, Bar No. 7928  
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-and-

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Possession

# EXHIBIT A

Requested Payment Exhibit

Aspen Concrete	\$ 170,437.04
Bleekers Boxes	326.19
CAT AccessAccount	2,287.65
Derek Hofstetter	360.00
DeVault Electric	1,287.51
Don's Office Productst	766.23
Empire Southwest	4,072.07
First Class Sanitation	593.40
Freiday Construction	333.96
Head Quarters	65.00
Highway Technologies	69,830.52
Kingman Auto Supply	395.31
Kingman True Value	303.23
Mohave County Treasurer	834.23
NJ Shaum	89,091.14
Northland Exploration	19,973.48
PowerPlan	489.76
Praxair	311.31
Qwest	120.98
Regal Corporation	0.61
RTR Paving	41,488.14
Spirit Underground	684,754.29
Sprint	1,212.31
Sunstate Equipment	2,738.43
Truck Tub Intl	35.00
TSS Enterprises	10,819.10
United Rentals	233.64
Warner's Nursery	122,641.33
White Cap	3,277.06
Wymat	805.00

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\$ 1,229,883.92

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*K. Corbett*  
*10/12/09*

*Kevin Corbett - Winchester  
 Carlisle*